

**Opening Statement**  
**Chairman Michael G. Oxley**  
**Committee on Financial Services**  
**Subcommittee on Financial Institutions and Consumer Credit**  
**May 2, 2001**

**Hearing on the Federal Reserve and Treasury proposal to  
permit banks to offer certain real estate services**

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Thank you, Mr. Chairman.

Good morning, and welcome to Governor Meyer, Under Secretary Hammond and the other witnesses.

As Mr. Bachus indicated in his statement, the Federal Reserve Board and the Treasury have acted deliberately and thoroughly in their handling of this proposal. I commend Chairman Bachus for holding this hearing and giving this subcommittee an opportunity for the Fed and Treasury to discuss further the issues raised in their proposal.

This issue, like so many others, must be viewed in the context of the Gramm-Leach-Bliley debates that have led to this hearing. Those debates, while contentious, resulted in a law that passed the Congress by an overwhelming margin and with strong bipartisan support. As I consider this proposal, I ask myself two questions:

First, is it consistent with the Gramm-Leach-Bliley Act?

Second, does it promote fair competition within the financial services industry?

Generally, corporations may engage in any lawful activity. However, financial holding companies, and financial affiliates of national banks, may engage only in activities authorized under the Gramm-Leach-Bliley Act.

Gramm-Leach-Bliley significantly expands the activities of financial holding companies beyond the activities permissible at that time for bank holding companies.

When we wrote the list of activities that are “financial in nature” into the statute, we tried to incorporate all existing activities of the banking, securities and insurance industries without authorizing the complete mixing of banking and commerce. At the same time, we recognized there might be activities we failed to include.

To address this possibility and the need for the industry to evolve over time, we created a specific process to allow the Fed and Treasury to periodically update the list of activities that are “financial in nature” or “incidental” to such activities.

This proposal represents the first significant application of the process we created. Striking a balance between the separation of banking and commerce and the promotion of competition is never an easy task.

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For years, I watched the insurance, securities and banking industries battle each other to protect themselves from competition. Those efforts continue to this day, most recently by opposition to the repeal of the 70-year-old ban on the payment of interest on business checking accounts. But there continues to be broad agreement in Congress that our financial services laws must be updated on a regular basis to account for changes in the market place and to foster fair competition.

It takes courage for an industry to adapt to a new regulatory structure, particularly when that structure creates many new competitive opportunities. Competition, however, ultimately makes the industry stronger because it forces the industry to meet new challenges, and to provide more and better services for consumers. I have seen the positive impact that the competition between these former adversaries has had for both consumers and the overall safety and soundness of the financial services industry.

At the same time, competition must be fair, with adequate consumer protections against tying or other coercive practices.

I agree with the Treasury Department that, in moving forward on this proposal, the regulators must work closely together to ensure that this and other rulemakings under the "financial in nature" authority are consistent with the criteria and legal process Congress prescribed and the public interest.

I have confidence that the Fed and Treasury will discharge the duties entrusted to them by Congress in the Gramm-Leach-Bliley Act, and look forward to a spirited discussion of their proposals this morning.

Thank you, Mr. Chairman. I yield back the balance of my time.